

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022-075

DATE: September 30, 2022

SUBJECT: Nova Scotia Risk Sharing Pool – August 2022 Operational Report

A copy of this bulletin should be provided to your Chief Financial Officer and Appointed Actuary.

Please be advised that the August 2022 Nova Scotia Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Highlights

- (a) The **August 2022 premium written** was \$1.0 million, lower than prior year by \$3.8 million. The **2022 year-to-date premium written** was \$11.8 million lower than prior year by \$16.1 million; and
- (b) The **August 2022 operating results** were a *surplus* of \$7.2 million. The **2022 year-to-date operating results** were a *surplus* of \$8.3 million; and
- (c) The **August 2022 combined operating ratio** was -318.2%, lower than prior years by 181.9 percentage points. The **2022 year-to-date combined operating ratio** was 55.4%, lower than prior year by 5.7 percentage points; and
- (d) The implementation of the **2022 Q2 Valuation**, generated **\$7.6 million favourable impact** for the month, decreasing the COR by 440.6 percentage points.

Summary of Financial Results

NS RSP Summary of Financial Results

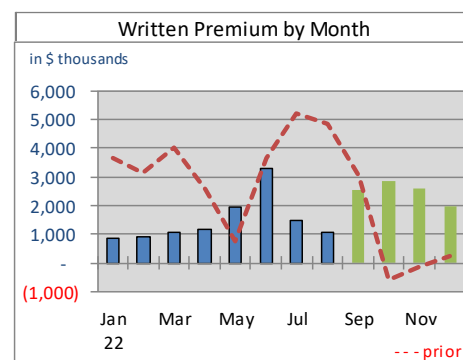
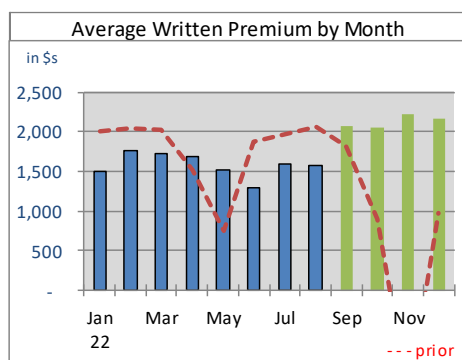
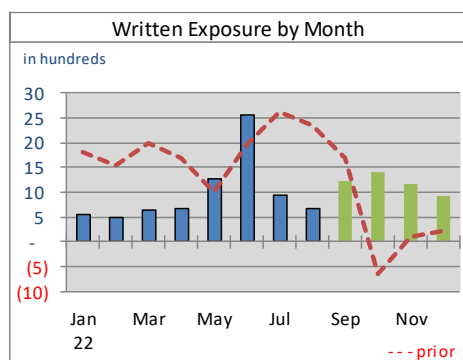
NS RSP 2022 Summary Amounts in \$000s	Actual (August 2022)	Projection (August 2022)	Prior Year (August 2021)	2022 year-to-date as at 8 months	2021 year-to-date as at 8 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	1,041	1,965	4,842	11,757	27,887	21,767	33,322	30,440
Premium Earned	1,723	2,155	3,379	18,700	29,660	27,583	34,102	41,021
Incurred Losses	(5,439)	2,091	(4,287)	6,958	12,830	14,817	33,089	21,759
Underwriting & Admin Expense	(45)	690	(317)	3,397	5,270	7,275	11,771	8,254
Expense allowance	302	576	1,514	3,438	8,726	6,372	9,766	9,521
Premium Deficiency / (DPAC)	(420)	66	(1,915)	(695)	(4,079)	35	1,193	(2,319)
Administrative Expenses	73	48	84	654	623	868	812	1,052
Net Result from Operations	7,207	(626)	7,983	8,345	11,560	5,491	(10,758)	11,008
Ratios:								
Loss ratio - Prior Accident Years	(326.5%)	(1.9%)	(105.7%)	(54.0%)	(41.8%)	(37.1%)	(3.5%)	(30.7%)
- Current Accident Year	10.9%	98.9%	(21.2%)	91.2%	85.1%	90.8%	100.5%	83.8%
Total	(315.6%)	97.0%	(126.9%)	37.2%	43.3%	53.7%	97.0%	53.1%
Underwriting & Admin Expense	(2.6%)	32.0%	(9.4%)	18.2%	17.8%	26.4%	34.5%	20.1%
Expense allowance	17.5%	26.7%	44.8%	18.4%	29.4%	23.1%	28.6%	23.2%
Premium Deficiency / (DPAC)	(24.4%)	3.1%	(56.7%)	(3.7%)	(13.8%)	0.1%	3.5%	(5.7%)
Administrative Expenses	4.2%	2.2%	2.5%	3.5%	2.1%	3.1%	2.4%	2.6%
Combined Operating Ratio	(318.2%)	129.0%	(136.3%)	55.4%	61.1%	80.1%	131.5%	73.2%

rounding differences may occur

*as posted to FA's website Dec. 24, 2021

Premium

The **premium drivers** compared to prior year and The Outlook to year-end are:



The vehicle count transfer for August 2022 was only 661 vehicles, which was significantly lower than prior year and also below our projection. The lower than prior year count, is primarily driven by changes in the cession strategy by one member company group.

The August 2022 average premium was below prior year. Premium written was also below the prior year and The Outlook.

Incurred Losses

Incurred losses in August 2022 were -\$5.4 million, and loss ratio was at -315.6%, down 412.6 percentage points compared with the projection and down 188.7 percentage points compared with prior year. This variance from projection was largely driven by the 2022 Q2 valuation being implemented in the month, generating a favourable impact of \$5.9 million on the year-to-date losses. This impact is mainly driven by the reduced loss ratios, particularly for the recent quarter for Prior Accident Year. For more information on the valuation impact please refer to the Actuarial Highlights.

NS RSP Summary of 2022 Q2 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s)	Impact on COR (%)	Impact on COR (%)	Impact on Operating Results (\$000s)	Impact on COR (%)
Nova Scotia	month/ytd	as month EP	as ytd EP	full year	as full year EP
PAYs (2021 & prior)	(5,490)	(318.6%)	(24.3%)	(5,397)	(28.2%)
CAY (2022)	(1,641)	(95.2%)	(7.3%)	(2,365)	(12.4%)
PAYs & CAY	(7,131)	(413.8%)	(31.6%)	(7,762)	(40.6%)
Premium Deficiency / (DPAC)	(461)	(26.8%)	(2.0%)	(59)	(0.3%)
Total	(7,592)	(440.6%)	(33.6%)	(7,821)	(40.9%)

Underwriting and Admin Expenses

Expenses for August 2022 include,

- Expense Allowance: \$0.3 million for August 2022 compared to projection at \$0.6 million and prior year at \$1.5 million. The allowance is approximately 29% of written premium. Changes from projection and prior year are consistent with changes in written premium.
- Change in Premium Deficiency / (DPAC): DPAC of \$420 thousand compared to projected premium deficiency of \$66 thousand and prior year DPAC of \$1.9 million.
- Administrative Expenses were in line with projection and prior year.

Projection to year-end 2022

Projections to year-end 2022 has been updated using the 2022 Q2 valuation assumption which generated an estimated favourable impact of \$7.8 million on the full year results.

Compared with The Outlook, written premium has decreased by \$11.6 million to \$21.8 million.

The updated year-end 2022 operating surplus is now \$5.5 million and the combined operating ratio is 80.1%; 51.4 percentage points below The Outlook.

Should you require any further information, please call Philippe Gosselin, VP Actuarial and CRO at (416) 863-1750 x4968.

Saskia Matheson
President & CEO

Related links:

[Nova Scotia RSP Summary of Operations - Calendar Year 2022](#)

*08 month ended August 2022 (discounted basis)

[Nova Scotia RSP Operational Report – Actuarial Highlights](#)

*For additional details on Actual vs Projected variance, IBRN, and valuation